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IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1970

No. — 1152

BAKER MANUFACTURING CO.,
a corporation,

Petitioner,

vs.

WHITEWATER MANUFACTURING CO.,
a corporation,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Petitioner respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Seventh Circuit entered in this proceeding on July 30, 1970.

OPINIONS BELOW

The opinion of the United States District Court for the Eastern District of Wisconsin is reported at 298 F. Supp. 1389, 162 USPQ 240. The opinion of the Court of Appeals for the Seventh Circuit is reported at 430 F. 2d 1008, 166 USPQ 463, and is reprinted in the Appendix hereto.

JURISDICTION

The judgment of the Court of Appeals for the Seventh Circuit was entered on July 30, 1970. A timely petition for rehearing was denied on September 24, 1970, and this petition for certiorari was filed within 90 days of that date. The jurisdiction of this Court is invoked under 28 USC Sec. 1254(1) and Sec. 2101(c).

QUESTIONS PRESENTED

1. Does the denial of a valid claim on the grounds of laches require proof of both (1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense?

2. Did the Court of Appeals err in adopting and applying a rule of laches which presumes damage to respondent by the mere passage of time in the face of an undisturbed finding by the District Court that it would not be unjust to require respondent to defend the action?

3. Is the rule on laches adopted by the Court of Appeals wherein injury to the defendant is presumed by the mere passage of time, in conflict with the policy of 35 USC §286 which only denies recovery for patent infringement committed more than six years prior to filing the Complaint?

STATEMENT OF THE CASE

This is a patent case wherein the District Court, after a trial on the merits, held petitioner's patent valid and infringed. The District Court denied several defenses asserted by respondent, namely, laches, unclean hands, illegal combination and improper joinder of inventors. The

Court of Appeals held that the District Court erred in denying the defense of laches and reversed the judgment without ruling on any of the other issues in the case.

The patent-in-suit issued to petitioner on November 8, 1955 and respondent began manufacturing and selling the accused devices sometime in 1955. Petitioner gave respondent notice of infringement in February, 1956. Settlement negotiations between the parties followed with the last communication being a letter from petitioner to respondent dated September 19, 1957 wherein petitioner offered to settle the controversy by the grant of a license. Respondent never responded to petitioner's settlement offer. About 7 years and 7 months after petitioner's unanswered settlement offer was sent to respondent, suit was brought. During the 7½ year delay petitioner never represented to respondent either orally or in writing that it had dropped its charge of infringement. The foregoing facts are recited in a pretrial stipulation between the parties and thus there is no dispute as to the accuracy thereof. (Ap. 60)*

The District Court, after a full hearing on the issue of laches (which included the testimony of the Presidents of the respective parties who held office during the entire period involved), denied the defense of laches. The District Court's conclusion of law on laches was based on the following finding of fact (Ap. 555):

> "Notwithstanding the plaintiff's delay, I do not believe that the defendant is justified in its asserted belief that the plaintiff had abandoned its claim. The evidence reveals that the defendant received early notice of infringement; that after initial negotiations, the defendant ignored the plaintiff's request

*All references to the record are to the printed Appendix on Appeal, a certified copy of which is submitted with this Petition.

for further negotiations and settlement; and that at no time did the plaintiff suggest that it was abandoning its claim of infringement.

"[§9] *I conclude that enforcement of the plaintiff's claim will not work an injustice.* The plaintiff is barred by the 6 year statute of limitation (35 U.S.C. §286) from suing for damages incurred before 1959, *but it is not inequitable to require the defendant to defend the instant action.*" (emphasis added)

The rule of law applied by the District Court was that mere delay does not alone constitute laches and that to uphold a defense of laches there must be both (1) an unreasonable delay by plaintiff and (2) a showing that the defendant has been, or will be, damaged or prejudiced by the delay.

The Court of Appeals in reversing held that the District Court's denial of the defense of laches "was not in accordance with the prevailing principles of law" and applied a rule which provides that when plaintiff's delay exceeds six years (analogous statute of limitations), damage to defendant is presumed and the burden is placed on plaintiff to prove an excuse for the delay, failing which defendant is relieved of all liability. The Court of Appeals in applying this rule noted first that petitioner's delay exceeded six years and then without disturbing the District Court's finding that the delay did not "work an injustice" on respondent proceeded to "presume" damage and cast the burden on petitioner to excuse its delay. It then reviewed petitioner's excuses and found them inadequate. In this regard, petitioner herein does not challenge the Court's denial of its excuses for the delay. Petitioner's position is simply that until and unless the respondent comes forth with a showing of

damage as a result of the delay, petitioner's excuses are immaterial and the defense of laches must be denied. As indicated above the Court of Appeals "presumed" as a matter of law that respondent had been damaged by the delay. In so doing, it left undisturbed the District Court's finding that respondent had not in fact been damaged by the delay.

The "presumption of damage" rule applied by the Seventh Circuit below is unsound for the simple reason that it relieves respondent of all liability for its infringement of petitioner's valid patent even though it was not damaged or prejudiced by the delay in bringing suit. In the instant case respondent began manufacture and sale of the infringing device in 1955 and continued its infringement without interruption up through November 3, 1970 when the patent-in-suit expired. To relieve respondent of all liability even though it was not prejudiced by the delay is an extremely unjust result. As will now be developed the rule adopted by the Seventh Circuit below is in conflict with the rule applied by the Supreme Court and other Courts of Appeal.

REASONS FOR GRANTING THE WRIT

1. The Decision Below Conflicts With Decisions Of The U.S. Supreme Court.

The Court of Appeals in its decision below summarized its view of the law of laches as follows (p. 2 of Appendix hereto):

> "While there is some contrariety of views among the courts on these issues, we are convinced that by the great weight of authority, including the decisions of this court, the burden is on the patentee to excuse an unreasonable delay. We also think, even though

the authority is less compelling, that under such circumstances there is a presumption that an alleged infringer has been damaged."

In support of this rule the court cited the cases of *Gillons et al. v. Shell Co. of California*, 86 F. 2d 601 (9th Cir. 1936) and *Whitman v. Walt Disney Productions, Inc.*, 148 F. Supp. 37 (S.D. Cal. 1957) and quoted from the latter case as follows (p. 3 of Appendix hereto):

> "Although not bound by statutes of limitations relating to actions of law, courts of equity will generally draw analogies to them. In patent cases, the 'analogous' period is six years. [35 U.S.C. Sec. 286.] After this length of time, the delay is presumed to have injured defendant, unless the contrary can be shown by plaintiff. * * Reasonable diligence is a prerequisite to invoking the court's aid in the assertion of one's rights. * *

The rule applied below is in direct conflict with the rule on laches applied by the Supreme Court. In *Gutierrez v. Waterman S. S. Corp.*, 373 U.S. 206, 215 (1963) a longshoreman filed his libel action over a year after expiration of the analogous Puerto Rican statute of limitations. The Supreme Court reversed the First Circuit's denial of the claim on laches as follows:

> "Finally, we have concluded that the ruling of the trial court on laches is not plainly erroneous and should not have been reversed. *The test of laches is prejudice to the other party. Gardner v. Panama R. Co.*, 342 U.S. 29, 30-31; *Cities Service Co. v. Puerto Rico Co.*, 305 F. 2d 170, 171 (C.A. 1st Cir.) (both unreasonable delay and consequent prejudice). The trial court, having heard the witnesses testify, concluded that there was no prejudice. The Court of Appeals had no warrant to reverse this finding as plainly erroneous merely because in some way it

might have been more advantageous to respondent to question the witnesses sooner than it did. Nor can prejudice be inferred from a variance between the witnesses' testimony and respondent's written records of the unloading. The trial court which heard the witnesses was the proper judge of which evidence was credible; that records differ from testimony here does not mean that respondent was prejudiced by delay — it means that respondent was 'prejudiced' by the fact finder's refusal to believe its evidence and no more. (emphasis added)

"The Court of Appeals erred in setting the judgment of the District Court aside. The judgment of the Court of Appeals is reversed and the case remanded to the District Court for further proceedings consistent with this opinion."

This case is precisely in point since the delay involved exceeded the analogous statute of limitations. As stated by the Supreme Court *both* an unreasonable delay and actual prejudice to the defendant must be shown before the plaintiff's otherwise valid claim for relief can be denied. Clearly, the rule applied does not contemplate any "presumption of damage" by the mere passage of time as in the holding below.

Another pertinent decision is *Costello v. United States*, 365 U.S. 265, 282 (1961) wherein plaintiff, after a 27 year delay, brought a denaturalization proceeding against defendant. The Supreme Court cited authority to the effect that laches could not be brought against a sovereign body but went further in its opinion to hold as follows with respect to the defense of laches:

"None of the cases in this Court considered the question of the application of laches in a denaturalization proceeding. However, even if we assume the applicability of laches, we think that the peti-

tioner failed to prove both of the elements which are necessary to the recognition of the defense. *Laches requires proof of* (1) lack of diligence by the party against whom the defense is asserted, and (2) *prejudice to the party asserting the defense.* See *Galliher v. Cadwell*, 145 U.S. 368, 372; *Southern Pacific Co. v. Bogert*, 250 U.S. 483, 488-490; *Gardner v. Panama R. Co.*, 342 U.S. 29, 31. (emphasis added)

"The petitioner alleges lack of diligence in the Government's failure to proceed to revoke his certificate within a reasonable time after his arrest and trial under the 1925 indictment for conspiracy to violate the Prohibition Laws, or at least within a reasonable time after his admissions before the federal grand jury in 1939. There is no necessity to determine the merits of this argument, *for the record is clear that the petitioner was not prejudiced by the Government's delay in any way which satisfies this requisite of laches.*" (emphasis added)

The Supreme Court in this case makes it perfectly clear that prejudice cannot be presumed but must be proven by competent evidence.

Again, in *Northern Pacific Railway Co. v. Boyd*, 228 U.S. 482, 509 (1913) the Supreme Court in denying the defense of laches states the rule as follows:

"But the doctrine of estoppel by laches is not one which can be measured out in days and months, as though it were a statute of limitations. For what might be inexcusable delay in one case would not be inconsistent with dilegence in another, *and unless the non-action of the complainant operated to damage the defendant or to induce it to change its position*, there is no necessary estoppel arising from the mere lapse of time. *Townsend v. Vanderworker*, 160 U.S. 171, 186." (emphasis added)

Here again, the Supreme Court in passing on the defense of laches states that the defense will be denied unless the non-action of the complainant "operated" to damage the defendant or to induce it to change its position.

It is clear from the foregoing that the Seventh Circuit's rule on laches in the decision below, wherein damage to the defendant is presumed by the mere passage of time, is in direct conflict with the Supreme Court rule which requires actual proof that defendant was prejudiced by the delay in bringing suit.

2. The Decision Below Conflicts With Decisions Of Other Courts Of Appeal.

The "presumption of damage" rule on laches set forth in the decision below is in conflict with the decisions of other Courts of Appeal.

The Fifth Circuit in *Shaffer v. Rector Well Equipment Co.*, 155 F. 2d 344, 346, in reversing the District Court's holding of laches sets forth its rule as follows:

> "As has been often stated, laches is not determined solely by the mere passage of time. There must be other considerations that would make it inequitable for the suit to be prosecuted, *among the most essential of which is a showing that the defendant has been, or will be, damaged or prejudiced by the delay.* (emphasis added)
>
> * * *
>
> "[10] The burden of proof to establish the defense of laches is on the defendant [United Drug Co. v. Ireland, 8 Cir., 51 F. 2d 226; Kelley v. Boettcher, 8 Cir. 85 F. 55, 62; Rajah Auto Supply Co. v. Belvedere Screw & Machine Co., supra] *and the failure of defendant to prove injury or damage to*

> *itself — a vital element in the establishment of laches — would be fatal to such a defense, even if it had* maintained that defense in other respects." (emphasis added)

The Eighth Circuit in *Drum v. Turner*, 219 F. 188, 198 (8th Cir. 1914) stated the rule on laches as follows:

> "Delay and silence within the life of a patent, unaccompanied by any such acts or silence of the owner as amount to inducing deceit and thereby to an equitable estoppel, and the evidence fails to satisfy that there have been any such acts or omissions in this case, will not deprive such owner of his right to recover for an infringement of the exclusive right secured to him by the patent. It is no defense to a suit for an injunction and accounting on account of the continuing trespasses of an infringer that the latter has been trespassing on the rights of the owner of the patent for years with impunity."

The Tenth Circuit in *Potash Co. of America v. International Minerals and Chemicals Corp.*, 213 F. 2d 153, 154 (10th Cir. 1954) the rule on laches was defined as follows:

> "To constitute laches two elements must exist: first, inexcusable delay in instituting suit *and second, prejudice resulting to the defendant from such delay*. The existence of laches does not depend merely upon the lapse of time, but also upon the equities presented in the case." (emphasis added)

In this Tenth Circuit case the court affirmed the District Court's holding of laches but only upon findings that defendant had made capital investments aggregating several million dollars during the delay period. It was also noted that several important witnesses had died and that certain pertinent documents had been destroyed by fire.

The Third Circuit in *Westco-Chippewa Pump Co. v. Delaware Electric & Supply Co.*, 64 F. 2d 185, 186 (3rd Cir. 1933) sets forth its rule on laches as follows:

> "Or, to state this in the language of the plaintiff, there are two elements in laches: (1) lack of diligence on the part of the plaintiff; and (2) *injury to defendant due to the inaction of the plaintiff.*" (emphasis added)

The Third Circuit in the above case found that the position of the defendant had been materially and prejudicially changed because of the delay and thus affirmed the holding of laches. Such prejudicial change of position involved proof that defendant had invested a quarter million dollars in a new factory and new equipment.

In none of the foregoing decisions is there a suggestion that damage can be presumed simply by the passage of time. To the contrary, in each case the rule applied required proof that plaintiff's delay was unreasonable and in addition, that such delay did, in fact, prejudice the defendant. As indicated previously, in the present case there was a specific finding by the District Court that the defendant was not in fact prejudiced by plaintiff's delay. To presume damage in the face of this specific finding to the contrary conflicts with all the decisions cited above.

3. The Decision Below Conflicts With Prior Decisions Of The Seventh Circuit.

In the decision below four prior Seventh Circuit cases are cited in support of the Court's holdings on laches. A review of the cited cases indicates that all four are in conflict with the rule applied in the decision below.

In *Boris v. Hamilton Mfg. Co.*, 253 F. 2d 526, 529 (7th Cir. 1958), the Court applied a laches rule as follows:

> "Mere delay does not constitute laches but when deferment of action to enforce claimed rights is prolonged and inexcusable *and operates to defendant's material prejudice*, we find laches to be an effectual bar with the burden of satisfactory explanation devolving upon the plaintiff." (emphasis added)

In *Boris*, supra, plaintiff knew of defendant's activities for about ten years and said nothing. It was found that defendant had reason to believe that plaintiff had abandoned its claim. It was also noted that certain witnesses had died and pertinent records had been lost.

In *Brennan v. Hawley Products Co.*, 182 F. 2d 945, 948 (7th Cir. 1950), there was a delay of approximately eleven years during which period defendant expended large sums of money in extension of its manufacturing facilities. The Court also relied on the fact that two of defendant's most important witnesses had died. The Court found that the record shows not only a long delay but:

> "* * * also such a change in the condition of the defendant that it would be inequitable to allow plaintiff to enforce his claim for infringement."

In *Rome Grader & Machinery Corp. v. J. D. Adams Mfg. Co.*, 135 F. 2d 617, 619 (7th Cir. 1943), the Court defined the requisite elements of laches as follows:

> "Thus, there are two elements in effective laches; (1) lack of diligence on the part of plaintiff; (2) injury to defendant due to such lack."

Finally, in *Universal Coin Lock Co. v. American Sanitary Lock Co.*, 104 F. 2d 781, 782 (7th Cir. 1939) the Court stated the rule as follows:

> "There are, of course, certain guides which help solve the question. Mere delay unaccompanied by anything else, will not constitute laches. The delay must be inexcusable and prejudicial to the defendant. Its existence depends upon the equities of the case and ultimate inquiry as to which side will fall the balance of justice in sustaining or denying the defense."

None of the Seventh Circuit decisions cited in the decision below mention a "presumption of damage". To the contrary, in each decision cited above laches was found to be a bar to a patent owner's enforcement of an otherwise valid claim for infringement, only if the facts clearly established that such enforcement would work a material injustice upon defendant. The decision below, therefore, represents a clear departure from the prevailing authorities in the Seventh Circuit.

4. The Laches Rule Applied In The Decision Below Is Inconsistent With The Policy Of 35 U.S.C. §286.

The Statute provides:

> "Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action."

It is clear from the foregoing statute that in patent cases, unlike cases in tort, contract, etc., a plaintiff's right to recovery is never completely extinguished by the statute but only limited as to the period of recovery. The policy behind this special type of statute of limita-

tions is simply that a patent infringement is a continuing trespass and thus, as to the six year period immediately prior to suit the claim is always fresh and enforceable as far as the statute is concerned.

The above quoted statute contemplates enforcement of patent infringement claims in cases where suit is commenced more than six years after infringement began. If this were not true the statute would have no purpose for its existence. The "presumption of damage" rule, however, bars all recovery for infringement where the delay exceeds six years unless the delay is excused. Clearly the policy of the statute is to preserve plaintiff's rights for the six year period prior to suit because of the continuing nature of defendant's wrongful action. The "presumption of damage" rule applied in the decision below ignores the continuing injury to plaintiff by defendant's infringement and thus conflicts with the policy of the statute.

5. The Grant Of This Petition Is Important Because Of The Need For A Uniform Rule On The Defense Of Laches.

A review of Volume I, The United States Patents Quarterly, Cumulative Digest (for reports Vols. 132-151) 1962-1966 reveals that there were approximately 35 reported federal court cases in which there was a ruling on the defense of laches during the five year period covered. Since the Digest covers only reported decisions relating to patents, trademarks and copyrights, it is reasonable to assume that there were many additional decisions on the subject. It is clear that each year a substantial number of federal court litigants feel the effect

of whatever rule is applied. Accordingly, it is important to the uniform administration of justice in our Federal Courts that the conflicts currently existing between the various courts be resolved.

CONCLUSION

In view of the foregoing, a Writ of Certiorari should issue to review the Court of Appeals for the Seventh Circuit in the above entitled cause.

Respectfully submitted,

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Dated: December 21, 1970.

APPENDIX TO PETITION FOR WRIT OF CERTIORARI

OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

In the United States Court of Appeals For the Seventh Circuit

SEPTEMBER TERM, 1969 — APRIL SESSION, 1970

No. 17863

BAKER MANUFACTURING COMPANY,
Plaintiff-Appellee,
vs.
WHITEWATER MANUFACTURING COMPANY,
Defendant-Appellant.

Appeal from the United States District Court for the Eastern District of Wisconsin.

July 30, 1970

Before MAJOR and CASTLE, *Senior Circuit Judges*, and KILEY, *Circuit Judge*.

MAJOR, *Senior Circuit Judge*. This action, filed April 29, 1965, was brought by Baker Manufacturing Company (Baker) against Whitewater Manufacturing Company (Whitewater), charging infringement of patent No. 2,657,633, the subject matter of which was "Pump Construction." Whitewater defended on the grounds of invalidity and non-infringement. It also invoked numerous affirmative defenses, including laches, upon which it relied as a bar to the relief sought by Baker.

The district court in a memorandum opinion discussed in meticulous detail all aspects of the validity and infringement issues, both of which it decided adversely to Whitewater. The court also decided all affirmative defenses relied upon by Whitewater, including laches, ad-

versely to it. Pursuant thereto, the court entered its judgment on May 12, 1969, adjudicating the patent valid and infringed, and holding that the suit was not barred by laches. Whitewater was permanently enjoined and restrained from the manufacture and use of the equipment held to infringe during the unexpired term of the patent, and the court rendered judgment against it for damages to be determined by an accounting. From this judgment Whitewater appeals.

A thorough study of the factual situation leads us to the definite conclusion that the court erred in denying the defense of laches, and the judgment must be reversed for that reason. Such being our conclusion, we think there is no point in discussing the rather voluminous testimony as it relates to other issues. *See Potash Co. of America v. International Minerals & Chemical Corp.*, 213 F. 2d 153, 154. In approaching the issue of laches, we recognize, of course, the firmly established rule that a decision on such issue is addressed to the sound discretion of the trial judge, which will not be disturbed on appeal unless it is so clearly wrong as to amount to an abuse of discretion. We need not cite authorities in support of this rule because it is relied upon by Baker and recognized by Whitewater.

The district court rendered a memorandum opinion, including its findings relative to the issue of laches and the reasoning employed in exercising its discretion to deny the defense. Before discussing that opinion, as we shall later do in some detail, we think it appropriate to consider two issues treated at length in the briefs of the respective parties where there is an unreasonable delay in the commencement of a suit for infringement, (1) is the burden on the plaintiff to excuse such delay? and (2) in such case, is there a presumption that the alleged infringer has been damaged? In connection with these issues it must be kept in mind that Baker gave notice in 1956 to Whitewater of its claimed infringement and that suit was not commenced until April 1965, a period of more than nine years.

While there is some contrariety of views among the courts on these issues, we are convinced that by the great

weight of authority, including the decisions of this court, the burden is on the patentee to excuse an unreasonable delay. We also think, even though the authority is less compelling, that under such circumstances there is a presumption that an alleged infringer has been damaged.

Gillons et al. v. *Shell Co. of California*, 86 F. 2d 601 (CA-9), cert. den. 302 U.S. 689, apears to be the leading case on these issues, widely cited with approval in that and other Circuits. See *Kimberly Corporation* v. *Hartley Pen Company*, 237 F. 2d 294 (CA-9), and *Whitman* v. *Walt Disney Productions, Inc.*, 148 F. Supp. 37 (S.D. Calif.). In the latter case the court cited Gillons for the statements (page 39):

> "Although not bound by statutes of limitations relating to actions at law, courts of equity will generally draw analogies to them. In patent cases, the 'analogous' period is six years. [35 U.S.C. Sec. 286.] After this length of time, the delay *is presumed to have injured defendant, unless the contrary can be shown by plaintiff.* * * Reasonable diligence is a prerequisite to invoking the court's aid in the assertion of one's rights. * *
>
> "In the present case we find an extended period of apparent inactivity by plaintiff, running well beyond the analogous statutory period. *The burden is thus cast upon plaintiff to justify the long delay.* (Italics supplied.)"

And on the following page:

> "Nor has plaintiff satisfactorily explained this absence of diligence. In fact the only excuse offered is an alleged lack of funds. By the weight of authority, lack of funds is no excuse for delay in bringing suit. [Citing cases.]"

The reasoning of the district court in this case was approved by the court of appeals of that Circuit. *Whitman* v. *Walt Disney Productions, Inc.*, 263 F. 2d 229, 231 (CA-9).

The same Circuit in *Kimberly Corporation* v. *Hartley Pen Company*, supra, 301, cited Gillons for the statement:

> "In light of these facts, the long delay [four years]

of Kimberly in asserting its claim to equitable ownership of the Sears-Schrader patent in suit *is sufficient in itself to establish that the assertion of such a claim worked to the damage and prejudice of appellee* and fully justified the views of the lower court concerning the bar of laches. [Italics supplied.]"

In *General Electric Co.* v. *Sciaky Bros., Inc.*, 304 F. 2d 724 (CA-6), where the issue was squarely presented, the court stated (page 727):

"Where the unexplained delay [ten years] exceeded the applicable period of the statute of limitations, *injury to the defendant is presumed.* In a patent infringement action equitable principles are applied. Equity will not aid those who have slept on their rights. The failure of General Electric to take action over the many years constituted laches. [Citing many cases, including *Gillons* v. *Shell*, supra.] [Italics supplied.]"

In *Potash Co. of America* v. *International Minerals & Chemical Corp.*, 213 F. 2d 153, 156 (CA-10), the court affirmed a defense of laches with the statement:

"In patent cases it is inequitable for an infringer to deprive the owner of a patent of royalties and other rights which the patent affords. It is equally inequitable for the patent owner to sleep on his rights and lead an infringer to make large investments in the belief that he is not infringing or that the patent rights are not to be pressed."

In *Tracerlab, Inc.* v. *Industrial Nucleonics Corp.*, 204 F. Supp. 101, the district court of Massachusetts held that plaintiff's suit for patent infringement was barred because of its unexplained delay (eight years) in bringing suit, and stated (page 104):

"Plaintiff should have brought its action promptly when it knew its rights were being violated. It cannot expect relief from equity when it sleeps on its rights and permits defendant, in reliance on such inactivity, greatly to expand its business and then confronts defendant with a costly and burdensome action."

We do not agree with Baker's suggestion that the citation of this case is misleading as it was reversed, 313 F. 2d 97 (CA-1).

The trial court decided the issue on a motion for summary judgment and the appeals court reversed on the ground that the patentee was entitled to a trial on the factual issue of knowledge. In so doing it stated (page 102):

> "Invocation of the doctrine of laches requires not only the passage of time but an acquiescence—either express or implied—in the alleged wrong. *Hawkes* v. *First National Bank of Greenfield*, 264 Mass. 538, 544, 163 N.E. 246 (1928). Since acquiescence must be predicated on knowledge—again, either express or implied—and since we disagree with the trial judge's conclusion as to this factor, we find laches to be no bar at this stage of the proceeding. [Citing cases.]"

Cases relied upon by Baker which furnish no more than meager support for what we think is the minority rule on the burden of proof are *Ransburg Electro-Coating Corp.* v. *Nordson Corporation*, 293 F. Supp. 448, 484 (N.D. Ill.); *Galion Iron Works & Mfg. Co.* v. *Buffalo-Springfield Roller Co.*, 108 F. Supp. 811, 815 (S.D. Ohio); *Briggs* v. *M & J Diesel Locomotive Filter Corp. et al.*, 228 F. Supp. 26, 62 (N.D. Ill., affirmed 342 F. 2d 573, 7th Cir.). In Ransburg, laches appears to have been a minor issue as, in a 36-page opinion, it is disposed of in a single sentence (page 484), "The burden of proof rests upon the party asserting the defense of laches." In Briggs, cited in support of this statement, the issue of laches was also abruptly disposed of, and this court on appeal affirmed Briggs without mention of such defense. In Gilion, an Ohio district court held that the burden of proof to establish the defense of laches was on the defendant, citing *Shaffer et al.* v. *Rector Well Equipment Co., Inc.*, 155 F. 2d 344, 347 (CA-5).

On the burden of proof issue, we have perhaps devoted more attention to the cases than necessary because the decisions of this court, as we shall now show, firmly stand for the rule that a patentee who unreasonably delays as-

serting his rights carries the burden to prove his excuse for such delay.

In *Universal Coin Lock Co.* v. *American Sanitary Lock Co. et al.*, 104 F. 2d 781, 782, the question for decision was, "Has plaintiff been guilty of laches amounting to an estoppel against its claim for damages?" In answering this question in the affirmative, the court cited with approval *Window Glass Machine Co.* v. *Pittsburg Plate Glass Co.*, 284 Fed. 645, 650 (CA-3), and *Westco-Chippewa Pump Co.* v. *Delaware Electric & Supply Co.*, 64 F. 2d 185, 187 (CA-3). We quoted from Window Glass (page 782):

> "'When delay in prosecuting a claim is so unusual as to carry with it the appearance of being unreasonable, as in this case, *there devolves upon a plaintiff the burden of disclosing the impediments to an earlier action*; of showing, if ignorant of his rights, how he had remained in ignorance so long; and of revealing how and when he first came to a knowledge of the matters on which he relies in his bill for relief. [Italics supplied.]'"

We quoted from Westco-Chippewa (page 783):

> "'The evidence does not disclose any excuse justifying this long delay. No case is an exact precedent for another because the facts in no two cases are exactly alike, but a uniform principle runs through all the cases. *They proceed on the theory that the plaintiff knows his rights and has had ample opportunity to establish them in the proper forum; that, because of delay, the defendant has good reason to think that the plaintiff believes his asserted rights to be worthless or that he has abandoned them.* * *
>
> "'The question of laches then assumes the aspect of *the plaintiff having stood by and having done nothing to protect its rights for seven years* while the defendant was building up a business, which it thought was legitimate, and spending money in constructing a large plant. [Italics supplied.]'"

We also quoted (page 783) from *Dwight & Lloyd Sintering Co.* v. *Greenawalt*, 27 F. 2d 823, 827 (CA-2):

"'Each year as it passes inevitably builds up a belief, if nothing has been done, that the patentee does not suppose his rights invaded. * *'"

In *Rome Grader & Machinery Corp.* v. *J. D. Adams Mfg. Co.*, 135 F. 2d 617, this court in affirming the district court which had ruled in favor of the defense of laches (delay of seven years) stated (page 619):

"Thus, when deferment of action is so unusual as to appear unreasonable, *upon plaintiff devolves the burden of disclosing and explaining the impediments to early action; of showing, if ignorant of his rights, how or why he has so long remained in ignorance and of revealing how and when he first acquired knowledge of the matters of which he relies as an excuse.* [Citing cases.]

"Of necessity there must be a balancing of equities. It is seemingly unjust that any one should be allowed to infringe a valid patent and deprive its owner of royalty to which the patent entitles him. On the other hand, it is inequitable for a person to sleep on his rights for years and lead another to think that the latter is safe in following counsel's advice that he may manufacture a proposed device with impunity, and then, when he has made extensive investments and built up a prosperous business, penalize him and innocent investors for doing what might have been averted by timely action. Thus, there are two elements in effective laches; (1) Lack of diligence on the part of the plaintiff; (2) injury to defendant due to such lack. [Citing cases.] [Italics supplied.]"

In *Brennan* v. *Hawley Products Co.*, 182 F. 2d 945, we again affirmed the district court which had ruled in favor of the defense of laches (delay of eight years). In doing so we cited and quoted with approval our decision in *Universal Coin Lock Co.* v. *American Sanitary Lock Co., et al.*, supra, and stated (page 548):

"In the case at bar the record shows not only a long delay on the part of the plaintiff in instituting litigation on his claims of infringement, but also such a change in the condition of the defendant that it would

be inequitable to allow plaintiff to enforce his claim for infringement. Not only has the defendant expended large sums of money in the extension of its manufacturing facilities, but two of its most important witnesses have passed away.

"*The plaintiff offers no legally adequate excuse for his inaction.* * * [Italics supplied.]"

In *Boris* v. *Hamilton Manufacturing Company*, 253 F.2d 526, this court again affirmed a judgment dismissing a suit for patent infringement on the ground of laches (delay of ten years), and stated (page 529):

"Mere delay does not constitute laches but when deferment of action to enforce claimed rights is prolonged and inexcusable and operates to defendant's material prejudice, we find laches to be an effectual bar, *with the burden of satisfactory explanation devolving upon the plaintiff. Rome Grader & Machinery Corp.* v. *J. D. Adams Mfg. Co.*, 7 Cir., 1943, 135 F.2d 617, 619. Laches is an equitable doctrine, not fixed by any unyielding measure, but to be determined in each case under its factual situation, and allowable '"where the enforcement of the asserted right would work injustice."' *Potash Co. of America* v. *International Minerals & Chemical Corp.*, 10 Cir., 1954, 213 F.2d 153, 155, and cases therein cited. [Italics supplied.]"

We have no way of knowing the reasoning employed by the district court in deciding the issue of laches adversely to Whitewater other than that contained in its memorandum opinion. Nowhere in its opinion does it state upon which party it placed the burden of proof, but if Baker made the same argument there as it does here, as we presume it did, it must have been upon Whitewater. In fact, its opinion so indicates.

We adopt the following statement from the court's unpublished opinion:

"In 1955, the defendant began using the O-ring combination. In February, 1956, Baker gave the defendant written notice of infringement. A conference

was held at which Messrs. Tubbs, Stevenson and Baker were present; at that time, the defendant neither admitted nor denied infringement. According to Mr. Baker, the defendant stated that it needed time to consider the Baker patent.

"On September 19, 1957, Mr. Baker wrote to Messrs. Stevenson and Tubbs, stating 'I believe we can now resume the negotiations which we tabled about a year ago * *.' (Pl. Exh. 11). The letter went on to propose licensing agreements. The parties have stipulated that (1) the defendant neither attempted nor did in fact communicate with the plaintiff regarding the patent in suit subsequent to September 19, 1957 through April 29, 1965, [57] the date this suit was instituted, and (2) the defendant does not know of any written or oral communication in which the plaintiff represented that the charge of infringement had been settled."

The court in the exercise of its discretion to deny the defense of laches reasoned:

"Notwithstanding the plaintiff's delay, I do not believe that the defendant is justified in its asserted belief that the plaintiff had abandoned its claim. The evidence reveals that the defendant received early notice of infringement; that after initial negotiations, the defendant ignored the plaintiff's request for further negotiations and settlement; and that at no time did the plaintiff suggest that it was abandoning its claim of infringement."

In our view, this reasoning erroneously places the burden on Whitewater, the alleged infringer, to take affirmative action which would rescue Baker from its inexcusable neglect over a period of nine years, contrary to the decisions of this court previously discussed. An alleged infringer acting in good faith is under no obligation, so far as we are aware, to take affirmative action relative to the alleged infringement. Of course, it can proceed under the Federal Declaratory Judgment Act, Title 28 U.S.C.A. Sec. 2201, for an adjudication of its rights, but this court has held that it is not obligated

to pursue this remedy. *Brennan* v. *Hawley Products Co.*, 182 F.2d 945, 949. The fact that Baker did not suggest that it was abandoning its claim of infringement is irrelevant. The important fact is that at no time did it notify Whitewater in any manner that it was pressing its claim.

Baker's exhibit 11 (cited in the trial court's opinion, supra) is in our view neither beneficial to Baker nor detrimental to Whitewater on the issue of laches. The letter is from Baker, directed to both Tubbs and Whitewater, and has to do with a patent owned by Tubbs as well as the patent involved in this suit. In pertinent part it states:

> "We, therefore, propose that Mr. Tubbs sell us a non-exclusive, non-transferable license under U.S. Patent 2,793,699 to manufacture and sell structures, defined by drawings included as exhibits in the license, for the life of the patent and that we sell the Whitewater Manufacturing Company a non-exclusive, non-transferable license under U.S. Patent 2,657,633 to manufacture and sell structures defined by drawings included as exhibits in the license for the life of the patent."

This letter does not renew the charge of infringement which Baker made against Whitewater in 1956. In fact, it specifically states, "It be understood that neither party is admitting infringement of any patent * *." In a P.S. to the letter, Baker states, "I hope we can get together shortly * *."

This was the last communication between Baker and Whitewater relative to the patent in suit. In substance, it proposed nothing more than that Baker would take a license from Tubbs on his patent and sell Whitewater a license on the patent in suit. Some eight years later, more than nine years from the time Baker gave Whitewater notice of infringement, the present suit was instituted.

This cross-licensing proposal on the part of Baker is similar to the situation described in *General Electric Company* v. *Sciaky Bros., Inc.*, 304 F.2d 724, 727 (CA-6):

> "The fact that General Electric wanted licenses on Scinky's patents and negotiated with Scinky on a cross licensing basis did not in our judgment excuse the long delay in enforcing its own rights. The District Court found that in so doing General Electric was engaged in a 'fishing expedition.' In any event, the negotiations between the parties ceased in 1951 and General Electric took no action until seven years later."

Baker's reason for its long delay in pursuing its patent rights is aptly described in the opinion of the district court:

> "Mr. Baker testified that after failing to receive a response, he concluded that further negotiations would be fruitless and proceeded to consult counsel with respect to what the next course of action would be, particularly as to the expense involved in prosecuting an infringement action. The plaintiff's attorney estimated that such an action would cost approximately $15,000. At the same time, Baker conducted a sales survey to determine the volume of sales of its competitors' pitless adaptors, including Whitewater's. As a result of such survey, the plaintiff concluded that due to the relatively modest potential recovery as compared to the litigation expense, it would be unwise to proceed then with a law suit."

Thus, Baker's excuse for the long delay in its simplest form rests on its decision to remain silent and wait until litigation would be worthwhile. It purposely adhered to this course for a period of at least seven years. In the meantime it kept Whitewater under surveillance for the purpose of determining its development and growth. Only when it was satisfied in this respect did it press its claim for infringement by filing the instant case. It is pertinent to note that Baker does not claim that it was at any time a pauper or without the means to finance a law suit; in fact, the record clearly indicates to the contrary.

The only case relied upon by Baker in support of its excuse for delay until its recovery could be greater is *Tripp* v. *United States*, 406 F.2d 1066, 1071 (U.S. Ct. Cl.),

where suit was brought against the government by the patentee nearly five years after giving written notice of infringement. The court stated:

> "Defendant was not prejudiced by the timing of plaintiff's suit as it had, from the date of issue of the patent, notice of plaintiff's intent to demand compensation, *an intent which was consistently expressed.* Plaintiff, an individual, could reasonably delay bringing suit until he could determine that the extent of possible infringement made litigation monetarily ripe. [Italics supplied.]"

On the same page the court further emphasized that the patentee "*has consistently demanded compensation for unauthorized usage by the Government of his patented invention* [italics supplied]." In marked contrast, in the instant case Baker at no time demanded compensation during the period of nine years after it had given notice of infringement and remained silent for seven years after it had offered Whitewater a license. In our view, Tripp is of no benefit to Baker.

As an additional excuse, not mentioned by the district court, Baker on brief suggests that early in 1962 it was confronted with the immediate obligation of defending two patent suits involving a very large potential liability. It argues that due to the pressure of this litigation it was unable to handle other patent litigation until 1965, when the instant suit was filed. We think this excuse without merit. It does not explain why Baker remained silent from 1957 to 1962, a five-year period. It is unrealistic to believe that Baker became so involved in other litigation that it could not file a suit against Whitewater for infringement and depend upon a court to give it such time to prepare and try its case as circumstances might justify. It certainly could have found time in 1962, as it could have in any of the preceding five years, to notify Whitewater that it was pressing its claim of infringement.

As we have shown from the court's memorandum opinion, its reasoning in denying the defense of laches was not in accordance with the prevailing principles of law. We hold that the court erred in denying the

defense of laches, and that such defense is a bar to any relief sought by Baker against Whitewater.

The judgment is, therefore, reversed and the cause remanded, with directions that the suit be dismissed, with costs taxed to Baker.

A true Copy:

Teste:

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Clerk of the United States Court of Appeals for the Seventh Circuit.

United States Court of Appeals
FOR THE SEVENTH CIRCUIT
Chicago, Illinois 60604

Thursday, July 30, 1970

Before

Hon. J. EARL MAJOR, Senior Circuit Judge

Hon. LATHAM CASTLE, Senior Circuit Judge

Hon. ROGER J. KILEY, Circuit Judge

BAKER MANUFACTURING COMPANY,
Plaintiff-Appellee,

vs.

No. 17063 WHITEWATER MANUFACTURING COMPANY,
Defendant-Appellant.

Appeal from the United States District Court for the Eastern District of Wisconsin.

This cause came on to be heard on the transcript of the record from the United States District Court for the Eastern District of Wisconsin, and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the judgment of the said District Court in this cause appealed from be, and the same is hereby, REVERSED, with costs, and that this cause be, and it is hereby, REMANDED to the said District Court with directions that the suit be dismissed, with costs taxed to Baker Manufacturing Company, in accordance with the opinion of this Court filed this day.

United States Court of Appeals

For the Seventh Circuit
Chicago, Illinois 60604

Thursday, SEPTEMBER 24, 19 70

Before

Hon. J. EARL MAJOR, Sr. Circuit Judge

Hon. LATHAM CASTLE, Sr. Circuit Judge

Hon. ROGER J. KILEY, Circuit Judge

BAKER MANUFACTURING COMPANY,
Plaintiff-Appellee,

No. 17069 vs.

WESTINGHOUSE MANUFACTURING COMPANY,
Defendant-Appellant.

Appeal from the United States District Court for the Eastern District of Wisconsin.

IT IS ORDERED by the Court that the petition for rehearing filed in the above-entitled cause be, and the same is hereby denied.